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RUEHFK/AMCONSUL FUKUOKA 0180

UNCLAS SECTION 01 OF 03 FUKUOKA 000009

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E.O. 12958: N/A

TAGS: [ENRG](#) [EMIN](#) [ECON](#) [SENV](#) [SOCI](#) [PGOV](#) [TRGY](#) [JA](#)

SUBJECT: NUCLEAR ENERGY POLITICS IN WESTERN JAPAN: KYUSHU ELECTRIC'S  
PLUTHERMAL PROJECT

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#### SUMMARY

11. (SBU) With Saga Governor Yasushi Furukawa's declaration February 7 that he believes pluthermal (plutonium-thermal) technology is safe, Kyushu Electric Power Co. (Kyuden) is close to securing final approval from local officials to initiate pluthermal power generation at its Genkai No. 3 Reactor in Saga Prefecture. Kyuden would be the first Japanese utility to implement such a project, in which recycled plutonium-uranium (MOX) fuel is burned in a light-water reactor. The company has held a long series of explanatory meetings for area residents to emphasize the need for and safety of pluthermal technology. Still, alleviating local anxieties has proven tougher than anticipated. Kyuden's experience underscores the continued unease many Japanese have toward nuclear power, and illustrates the evolving nature of relations between central government and local authorities in today's Japan. End summary.

#### FINAL PROJECT APPROVAL LIKELY AS EARLY AS MARCH

12. (U) On February 7, 2006 Saga Governor Yasushi Furukawa told reporters at a news conference that, after careful consideration of central government safety measures and Saga prefecture's own research, he had concluded that a proposed pluthermal project at Kyuden's Genkai No. 3 nuclear power plant is safe. While the project must still be endorsed by the Genkai Town Council and the Saga Prefectural Assembly, the governor's announcement provides a critical boost to Kyuden's hopes of securing final approval as early as March. Kyuden needs to begin procurement and facilities preparations very soon if it is to meet its goal of initiating pluthermal power generation by JFY 2010.

#### WASTE DISPOSAL, ENERGY SECURITY CONCERNS ARE DRIVERS

13. (U) Plutonium-thermal ("pluthermal") technology is not new. Used in Europe for years, it consists of extracting waste plutonium from spent fuel rods and combining it with uranium to form new fuel, which can be burned in conventional light-water reactors. Considerations over nuclear waste disposal and the greater strategic concerns about energy security have recently spurred Japanese interest in pluthermal technology. Since operations at Japan's prototype "Monju" fast-breeder reactor in Fukui Prefecture were put on hold following a December 1995 accident, the Ministry of Economy, Trade, and Industry (METI) has instead been pushing pluthermal technology as part of its

"nuclear fuel cycle" strategy. METI aims to effectively reuse fuels that are otherwise discarded, thus slowing the growth of Japan's nuclear waste stockpile.

14. (SBU) Compared to uranium, pluthermal MOX fuel is much more expensive due to processing costs. However, Kyuden contends that the technology is cost effective when long-term savings from reduced waste storage and potential environmental harm are factored in. National energy security is also a consideration. With global demand for uranium now outstripping production and a real possibility that world stockpiles may become depleted, the GOJ and regional utilities are eager to reduce dependence on imported uranium fuel. This is particularly true for Kyuden, which generates a higher percentage of electricity from nuclear power than any other utility in Japan (45% versus 30% on average).

15. (U) While Kyuden is closest to actual implementation, Tokyo Electric Power (TEPCO) and Kansai Electric Power (KEPCO) also have prior METI approval for pluthermal projects, and applications from other utilities are pending. Meanwhile, in January 2006 eleven power companies, including power wholesalers, announced long-term plans to burn as much as 6.5 tons of reprocessed plutonium annually in 16-18 nuclear power plants across Japan beginning in JFY 2012, following the GOJ's basic policy outline for expansion of pluthermal technology.

#### DESPITE ASSURANCES, COST AND SAFETY CONCERNS PERSIST

16. (U) METI approved Kyuden's pluthermal proposal in September 2005, certifying that it met GOJ safety requirements. To proceed, Kyuden must get final approval from communities in proximity to the Genkai plant and from Saga Prefecture. Since first announcing the project in 2004, Kyuden has held over 200 explanatory meetings for area residents. The company, which

FUKUOKA 00000009 002 OF 003

operates six nuclear reactors in Kyushu (four at the Genkai site), has emphasized its exemplary 30-year safety record in nuclear power generation.

17. (U) At the insistence of Saga Prefecture, METI sponsored its own public symposium in October 2005, inviting nuclear power specialists to discuss the "necessity" and "safety" of pluthermal technology. However, the conference did not succeed in fully allaying concerns about the process. Pro-pluthermal experts claimed that plutonium recycling would reduce enriched uranium use by 15-20%. Their opponents insisted that only one percent of plutonium could be extracted from spent fuel, and noted that the price of imported MOX fuel is currently about four times that of uranium. Skeptics point to a March 2004 controversy in which the Natural Resources and Energy Agency, fearful of derailing the country's nuclear recycling goals, attempted to cover up a report showing that the cost of reprocessing nuclear fuel is two to four times higher than storing it in waste facilities.

18. (U) While the October symposium did not fully examine safety concerns about pluthermal technology, experts are split on the issue. Opponents argued that MOX fuel is inherently unstable and that the reprocessed rods are prone to breakage, thereby increasing the likelihood of accidents. They also tried to make the political case that because plutonium can be employed in nuclear weapons, its greater use in nuclear power generation may facilitate any future GOJ efforts to develop a domestic nuclear weapons capability. Proponents dismissed these fears as highly exaggerated. They countered that the "plutonium use leads to nuclear weapons" notion is too simplistic, adding that pluthermal recycling actually degrades plutonium to less than weapons grade.

19. (SBU) Recognizing the continued public uncertainty, Saga Governor Yasushi Furukawa directed the prefecture to sponsor its own forum on pluthermal safety issues. Following that symposium in December, the governor said the safety and necessity of the project had been thoroughly

discussed, setting the stage for his February 7 announcement. Saga prefectural officials appear generally satisfied with Kyuden's plan from a safety standpoint, and tell post they have a good, longstanding relationship of mutual trust with the utility. On the other hand, the officials are much less charitable about the central government's handling of the issue.

For instance, Governor Furukawa has openly complained that, for a policy the GOJ claims is in the national interest, Tokyo has done little beyond asking local jurisdictions for their cooperation. Most of the work to allay public concerns has been abdicated to the utility companies themselves, he noted.

IF THE SCIENCE DOESN'T PERSUADE THEM, MAYBE THE YEN WILL

¶10. (SBU) According to post's Kyuden contacts, Genkai Town officials appear inclined to give their approval for the project. The latest wrinkle, however, is opposition from the much larger city of Karatsu. Through a January 2005 merger with several smaller communities, Karatsu moved its boundaries much closer to the Genkai plant, and some 27,000 new Karatsu residents (four times the population of Genkai Town) now live within 10 kilometers of the facility. Kyuden has a "safety agreement" with Genkai Town and Saga Prefecture dating from 1972 which requires these jurisdictions' approval for new nuclear power projects at the site. There is no such agreement with Karatsu, and while the city is pushing to be included, both Kyuden and Saga officials are resisting this added complication.

¶11. (SBU) In December, the Karatsu City Assembly set up a "Pluthermal Special Committee" which will issue a formal stance on the Kyuden project by the end of the current fiscal year (March 2006). Kyuden suspects that money, not safety, may be the biggest consideration for Karatsu officials. They told post that under the current system, Genkai Town has received about Yen 18.7 billion (\$170 million at Yen 110/\$) in GOJ subsidies over the last 30 years. In addition to large property and corporate taxes, Kyuden itself reportedly made a one-time payment of at least Yen 3 billion (\$27 million) to the town as a "cooperation fee" to deal with local opposition groups. Local observers speculate Karatsu wants access to this gravy train for itself.

FUKUOKA 00000009 003 OF 003

COMMENT

¶12. (SBU) The GOJ and the Japanese power industry hope that a successful launch of Kyuden's pluthermal project will give momentum to the GOJ's "nuclear fuel cycle" initiative, and odds are that Kyuden will soon win local approval to proceed. Still, in discussions with post, Kyuden officials don't hide their exasperation with opposition groups who refuse to accept Kyuden's and METI's detailed explanations as to why pluthermal technology is safe. Noting that plutonium is already a natural by-product of current generation methods, one Kyuden manager attributed the opposition to an "irrational" fear of nuclear energy among some Japanese that no science-based reassurances may be able to change. Yet, opinions are divided even among nuclear experts over the technology. The Kyuden official admitted that a series of safety lapses in recent years at other Japanese utilities' nuclear power plants have cost the industry serious public trust.

¶13. (SBU) The project also illustrates the evolving nature of central government/local relations in today's Japan. A Genkai plant manager told post that had this project been proposed 20 or 30 years ago, GOJ approval and Kyuden safety assurances would have been sufficient basis to forge ahead. These days, however, local sentiments cannot be ignored - and officials in places like Karatsu City know it. In an ironic twist to the GOJ's policy of pushing local communities to merge in order to promote "Chiho-Bunken" (delegation of power to local governments), Karatsu is now taking advantage of its bigger, post-merger position to try to extract greater concessions from the GOJ and Kyuden. Japan may remain highly centralized, but Tokyo

authorities and influential companies are finding that they no longer call all the shots. End comment.  
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